

Message Text

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PAGE 01 STOCKH 06682 030943Z

64

ACTION SS-25

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FM AMEMBASSY STOCKHOLM

TO SECSTATE WASHDC 9284

C O N F I D E N T I A L STOCKHOLM 6682

EXDIS

E.O. 11652: GDS

TAGS: ETRD, SW

SUBJECT: SWEDEN AND THE US STEEL PRICE INCREASE

1. THERE IS LITTLE I CAN SAY FROM STOCKHOLM ABOUT THE US STEEL COMPANIES' PRICE INCREASE THAT WILL NOT ALREADY BE EVIDENT IN WASHINGTON, BUT I FEEL SOME COMMENT OUGHT TO BE MADE. AS THE DEPARTMENT AND OTHER INTERESTED AGENCIES KNOW VERY WELL, THE SPECIALTY STEEL QUESTION HAS BEEN ONE OF THE FEW SURVIVING IRRITANTS IN US-SWEDISH RELATIONS LATELY. THE PRESIDENT'S PROCLAMATION OF NOVEMBER 16 HAS DONE MUCH TO REMOVE THAT IRRITANT; BUT THE RISE IN SHEET STEEL PRICES COULD PORTEND MORE TROUBLE AHEAD.

2. WHILE SWEDEN'S ECONOMIC PROBLEMS SEEM MILD COMPARED TO SOME, THEY ARE QUITE SERIOUS FOR THE NEW NON-SOCIALIST GOVERNMENT HERE, AND THE STEEL INDUSTRY IS A SPECIAL TROUBLE SPOT. MANY OF MY SWEDISH FRIENDS--WHO ARE CERTAINLY FRIENDS OF THE UNITED STATES--ARE CONCERNED THAT THE NEW PRICE INCREASES IN THE US MAY RESULT BEFORE TOO LONG IN SOME KIND OF FURTHER PROTECTIONIST DEMANDS FROM THE US STEEL INDUSTRY; AND BECAUSE OF GROWING SENSITIVITIES CREATED BY THE SLOWDOWN IN THE INDUSTRIAL WORLD'S RECOVERY, THEY ARE EXTREMELY CONCERNED ABOUT POSSIBLE RAMIFICATIONS OF THIS INCREASE.

3. COMPARED WITH OUR OVERALL PROBLEMS WITH THE EC AND JAPAN, ANY PROBLEMS HERE ARE RELATIVELY MINOR, AND
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VOICES OF CONCERN BY SWEDISH BUSINESSMEN ARE NOT OF THE

FIRST ORDER OF SIGNIFICANCE. NEVERTHELESS IT IS IN
THE US INTEREST TO SEE THE SWEDISH ECONOMY STAY HEALTHY,
TO SUPPORT IN PROPER WAYS OPEN TO US THE NEW GOVERNMENT,
AND TO AVOID FRICTION WHERE WE CAN. AS PART OF THE US
GOVERNMENT'S STUDY OF THE EFFECTS OF THIS PRICE INCREASE,
THEREFORE, PERHAPS THE EXPRESSION OF CONCERN FROM SWEDEN
COULD BE USEFULLY INCLUDED.

SMITH

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